



1. A computer program system and procedure that provides a semi-standard forward agreement between the parties containing general and particular conditions.

Means of establishing terms for general condition;

means of establishing a particular condition containing variable terms ;

means of generating semi standard forwards agreement based on particular conditions.

2. System of claim 1, wherein said terms for general condition represents root product which can be inter-changeable.
3. System of claim 1, wherein said particular condition of variable terms refers to minimum and maximum price fluctuation as the root-product changes.
4. System of claim 1, wherein said particular condition of variable terms refers to physical delivery date as the root product changes.
5. System of claim 1, wherein said particular condition of variable terms refers to minimum quantity and unit of measurement changes as the root product changes.
6. A procedure to include the non-US Dollar currency of price change as the trading location changes.
7. WITHDRAWN
8. The system of claim 1 wherein, said particular condition of variable terms refers to cash based performance bond as the root product changes.
9. The system of claim 2, wherein a manufactured product is considered to be a root product if no particular condition of contract is generated .

10. WITHDRAWN

11. System of claim 1, wherein said semi standard forward represents buying and selling of a root product and its derivatives.
12. System of claim 9, wherein said root product is equivalent to generic product if no particular condition is generated.
13. System of claim 12, wherein forwards agreement based on generic product is an interchangeable financial instrument.

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19. System of claim 1, wherein any non standard forward agreement can employ semi-standard forward agreement as the underlying financial instrument.
20. System of claim 19, wherein any standard forward agreement is special case of semi-standard forward agreement.
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COMPARARATIVE REVIEW OF PRIOR ARTS

Prior Art	Basic concept	Features	Distinctions	Notes
Shepherd	Risk management bilateral long term contract, product sponsor; process unit matches premium; re-trading possible	Premium and payoff at maturity by counterparty who prices premium; constraints matching	Semi standard financial instrument for multilateral trade w/ cash bond	range of outcome
Turbeville	Polling aggregate of contracts. Assessing credit risk coverage for contracting parties accept/reject. Specific application:electricity	standardizing contract-to make it behave like commodity. Immediate Payment to seller for future delivery	price discovery requires liquidity and mark-to-market as central issue for re-trading	Filed 2/27/2001
Dalal	Optimizing buyer/seller activities through interactive negotiation.	Forward contract with matching based on price, quantity and point/date of delivery	Semi standard contracts are needed to allow forwards trading	
McDonough	Right service pricing for producers and consumers	Authorized intermediaries, electronic infrastructure clearinghouse	Semi standardized product w/ cash bond	Filed 2/16/2007

Prior Arts

1. Shepherd's patent 6,134,536 : Formulation and Trading of Risk management Contracts

Provides a methodology for risk management related to party/counterparty matching model. The ordering party's contract is clearly specific "product sponsor" as exclusive and likely to be non standard product. The matching is made against all sellers/buyers of that product. The contract is expected to be "traded" until maturity.

Distinction: Risk management contract:

- i) A long term contract, as incomplete contract, be traded in a 2-sided auction model (both principal and agent acts as buyer and seller interchangeably as opportunity arises).
Shepherd states : "The entities submit such orders to a system which seeks to price and match the most appropriate counterparty..." Further an "ordering party initiates contract formulation by submitting an order..." This is a one-to- many one sided auction model.
- ii) Continuous monitoring of performance bond (both parties) to guarantee market integrity. This results in a price discovery essential for re-trading contracts.
Shepherd proposes two payments; one as a "premium" to counterparty when match is accepted, another at the time of maturity as "payoff". These payments assume fixed price throughout the life of contract. The entire transaction is reduced to bilateral static contract.

- iii) In a 2-sided auction contract is traded multilaterally ensuring sufficient liquidity for re-trade.

Shepherd exemplifies “product sponsor” as customized long term contract whose price risk is bilaterally managed by counterparty guarantee. Shepherd claims that re-trading “...by the other parties by the pricing and matching procedure, or variations on the pricing and matching procedure...”. Re-trading of such contract would require existence of a price reference such as underlying financial instrument for benchmarking the price changes; otherwise the risk is not managed in a multilateral sense. Alternatively, the contract traded among participants must be interchangeable, or non exclusive tradable financial instrument in such a way that, theoretically there always exist as many buyers as sellers. A formal structured contract with fixed specification and specified delivery date(s) ensures sufficient market liquidity. A classical example is a commodity contract traded in futures exchanges

2. Turbeville et al. Pub. No. US2001/027437A1 employs a pooling method for calculating credit risk coverage of parties; and as noted “particularly useful” that are generally illiquid. The method employs pooling of contract credits, averaging the contracts credit risks, comparing a contract with (maximum) credit risk coverage limit and decide whether to accept the contract in the pool.

Distinctions: The application, as noted, is appropriate for illiquid products. Price discovery and required liquidity are not considered here; nor does the performance bond for financial instrument requiring daily adjustment of cash based bond for both parties.

3. Dalal et al US Patent Publication No 2008/0040289- A flexible contract trading of multi-enterprise platforms discusses how a multi-lateral contract trading , many buyers-many sellers, in a supply chain application can improve price negotiation and ultimately optimize trading function. This is an enterprise based closed system not allowing risk takers to participate.

Distinctions: As in the case of Shepherd, the basic premise centers around the matching mechanism and requirements for risk management such as mutual cash based performance bond and marked to market adjustment are not addressed. The terms option and forward contracts are defined in an arbitrary manner that do not adhere to characteristic of financial instruments.